



HALF-YEAR REPORT

1 December 2002 - 31 May 2003

- Turnover for the H&M Group amounted to SEK 27,025 M (24,706), an increase of 9 per cent. In comparable currency rates, the increase was 12 per cent.
- Profit after financial items for the half-year was SEK 4,256 M (3,318), an increase of 28 per cent.
- Profit per share after estimated tax was SEK 3:34 (2:61).
- Turnover for the second quarter amounted to SEK 14,390 M (13,460), an increase of 7 per cent compared with the previous year. In comparable currency rates the increase was 10 per cent.
- Gross margin amounted to 56,7 per cent during the second quarter (54,6).
- Profit after financial items for the second quarter was SEK 2,566 M (SEK 2,138), an increase of 20 per cent.
- A very good start on the three new markets Poland, The Czech Republic and Portugal. Continued strong improvement of the result in the USA, positive result before depreciation, during the second quarter.
- The stock-in-trade is considered as very good both in level and in composition.

Turnover

Turnover including VAT for the H&M Group increased by 9 per cent in the first six months (with comparable currency rates, 12 per cent) and amounted to SEK 27,025.2 M (24,705.5).

Turnover including VAT for the second quarter increased by 7 per cent (with comparable currency rates, 10 per cent) and amounted to SEK 14,389.5 M (13,459.7).

Turnover increase for the month of May was 9 per cent with comparable currency rates.

During the first six months, the Group opened 53 stores; eleven in the USA, eight in Germany, seven in France, seven in the UK, four each in Spain and Sweden, two each in Norway, Portugal and the Czech Republic and one each in Denmark, The Netherlands, Belgium, Austria, Finland and Poland. Four stores have been closed. The total number of stores in the Group thus amounts to 893 (801).

Results for the first half year

Gross profit for the first six months amounted to SEK 12,836.2 M (11,351.6). The result achieved corresponds to 55.6 per cent (53.9) of sales.

After deduction for selling and administrative expenses, operating profit was SEK 4,028.1 M (3,159.4). The result corresponds to an operating margin of 17.5 per cent (15.0).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 570.1 M (531.9) and start-up costs, i.e. the part of the investment in new premises which is treated as a cost item, of SEK 98.4 M (80.0). After depreciation but before start-up costs, operating margin reached 17.9 per cent (15.4).

Group financial net interest income for the first six months was SEK 227.6 M (159.0).

Profit after financial items reached SEK 4,255.7 M (3,318.4), an increase of 28 per cent.

Profit for the Group after comprehensive tax allocation (35 per cent) for the first six months was SEK 2,766.2 M (2,157.0), corresponding to earnings per share of SEK 3.34 (2.61).

Return on shareholders' equity (revolving 12 months) was 38.8 per cent (31.2) and return on capital employed (revolving 12 months) was 58.6 per cent (48.1).

Results for the second quarter

Gross profit for the second quarter amounted to SEK 6,978.0 M (6,279.7) which corresponds to a gross margin of 56.7 per cent (54.6)

Operating profit was SEK 2,469.8 M (2,058.0) corresponding to an operating margin of 20.1 per cent (17.9).

Profit after financial items for the second quarter was SEK 2,566.3 M (2,138.1) an increase of 20 per cent.

Comments on the Results for the second quarter

The second quarter has had a weaker sales growth on several markets, where spring has been colder than usual. The well adapted stocklevel has enabled a lower level of price reductions and thus improved gross margin. The gross margin increased during the quarter by 2.1 percentage points compared to the same period last year.

During the quarter H & M has opened shops on three new markets, Poland, the Czech Republic and Portugal. The reception in all three countries has surpassed expectations. Goods delivery and administration are run from the neighbouring countries Germany, Austria and Spain and the costs have thereby been kept at a lower level than usual.

Operating margin has increased on all markets, compared to the same period last year.

The US operations shows a continued strong improvement of the result and generated a surplus before depreciation, during the second quarter.

The result of the quarter has been negatively affected by currency translation effects by SEK 36 M, compared to the same period last year. The currency translation effects arise when the results of foreign subsidiaries are translated into SEK in order to be consolidated into the H & M Group accounts.

Financial position

Group balance sheet total increased by 1 per cent and corresponded to SEK 21,132.3 M (20,875.9).

During the period, the Group generated a negative cash flow of SEK 3,027.6 M (+1,203.0). Cash flow has been affected by dividends of SEK 4,965.2 M (1,448.2).

Financial assets amounted to SEK 10,285.4 M (9,418.5).

Stock-in-trade was SEK 3,630.9 M (3,982.5), a decrease of 9 per cent. The Stock-in-trade is considered as very good both in level and in composition.

Investments in fixed assets amounted to SEK 617.4 M (593.5).

The equity/assets ratio corresponded to 78 per cent (76) and the share of risk-bearing capital was 82 per cent (80).

Net worth apportioned on the outstanding 827,536,000 shares on 31 May corresponded to SEK 20.03 (19.21).

Expansion

The expansion continues according to plan. During the rest of the fiscal year, approximately 60 stores will be opened mainly in Germany, the US, the UK and Spain.

The Parent Company

The parent company, which is not the same as the Swedish operation, reached a turnover (including inter-company sales) during the period of SEK 3,048.9 M (3,048.6) with an estimated taxable profit of SEK 4,274.5 M (2,113.5), of which SEK 3,917.0 M (1,934.2) was dividend from subsidiaries.

Accounting principles

This interim report has been prepared in accordance with the recommendation issued by the Swedish Financial Accounting Standard Council regarding interim reporting (RR20). Otherwise, the same accounting principles have been used as in the latest annual report.

This half-year report has not been audited.

A report for the first nine months of the financial year will be published on 25 September 2003. A report for the fiscal year 2002/03 will be published on 29 January 2004.

Stockholm 18 June 2003

The Board of Directors

Contact persons:

Carl-Henric Enhörning, IR	+46 8 796 54 10
Leif Persson, CFO	+46 8 796 13 00
Rolf Eriksen, CEO	+46 8 796 52 33
Switchboard	+46 8 796 55 00

Information about H&M and press photographs are available at www.hm.com

GROUP INCOME STATEMENT
(SEK M)

	1/12 2002- 31/5 2003	1/12 2001- 31/5 2002	1/3 2003- 31/5 2003	1/3 2002- 31/5 2002	1/12 2001- 30/11 2002
Turnover, including value added tax	27,025.2	24,705.5	14,389.5	13,459.7	53,331.7
Turnover, excluding value added tax	23,069.5	21,075.3	12,298.9	11,491.9	45,522.3
Costs of goods sold	-10,233.3	-9,723.7	-5,320.9	-5,212.2	-20,418.8
Gross profit	12,836.2	11,351.6	6,978.0	6,279.7	25,103.5
Selling expenses	-8,300.6	-7,650.5	-4,243.2	-3,932.5	-15,821.5
Administrative expenses	-507.5	-541.7	-265.0	-289.2	-1,022.9
Operating profit	4,028.1	3,159.4	2,469.8	2,058.0	8,259.1
Result from financial investments					
Interest income	229.9	163.9	96.9	82.6	383.0
Interest expense	-2.3	-4.9	-0.4	-2.5	-13.2
Profit after financial items	4,255.7	3,318.4	2,566.3	2,138.1	8,628.9
Estimated tax	-1,489.5	-1,161.4	-898.2	-748.3	-2,942.1
Estimated profit/Profit for 2001/02	2,766.2	2,157.0	1,668.1	1,389.8	5,686.8
Profit per share, SEK	3.34	2.61	2.02	1.68	6.87
Number of shares 827,536,000					
Depreciation, total	570.1	531.9	286.0	260.9	1,050.6
of which selling expenses	477.7	444.6	239.6	218.1	881.3
of which administration expenses	27.4	25.5	13.8	12.5	50.8
of which cost of goods sold	65.0	61.8	32.6	30.3	118.5

SUMMARY OF GROUP BALANCE SHEET
(SEK M)

	31 May 2003	31 May 2002	30 Nov 2002
Assets			
Real estate, fixtures and fittings	6,015.0	6,056.6	6,236.5
Other fixed assets	299.4	428.5	301.0
Total fixed assets	6,314.4	6,485.1	6,537.5
Stock-in-trade	3,630.9	3,982.5	4,192.5
Other current assets	901.6	989.8	989.1
Cash and bank balances	10,285.4	9,418.5	
Total current assets	14,817.9	14,390.8	18,661.2
Total assets	21,132.3	20,875.9	25,198.7
 Equity and liabilities			
Equity	16,579.0	15,894.5	19,087.7
Long-term liabilities	825.1	945.3	823.8
Short-term liabilities	3,728.2	4,036.1	5,287.2
Total equity and liabilities	21,132.3	20,875.9	25,198.7
 Change in equity			
Equity, beginning of period	19,087.7	15,431.6	
Profit for the period	2,766.2	2,157.0	
Dividend	-4,965.2	- 1,448.2	
Currency translation effects	-309.7	- 245.9	
Equity, end of period	16,579.0	15,894.5	

CASH FLOW ANALYSES
(SEK M)

	First half-year	
	2002/03	2001/02
Profit after financial items	4,255.7	3,318.4
Depreciation	570.1	531.9
Tax paid	-2,378.9	-770.1
Cash flow generated by current operations before changes in working capital	2,446.9	3,080.2
Changes in working capital		
Current receivables	74.7	-121.0
Stock-in-trade	546.0	357.4
Current liabilities	-686.8	-384.4
Cash flow generated by changes in working capital	-66.1	-148.0
Cash flow from current operations	2,380.8	2,932.2
Cash flow from investment activities	-445.2	-270.6
Cash flow from financing activity	-4,963.2	-1,458.6
<i>of which dividend</i>	-4,965.2	-1,448.2
Cash flow for the period	-3,027.6	1,203.0
Liquid funds, beginning of the period	13,479.6	8,530.9
Changes in currency rates	-166.6	-315.4
Liquid funds, end of the period	10,285.4	9,418.5

FIVE YEAR SUMMARY
(SEK M)

Six months	31 May 1999	31 May 2000	31 May 2001	31 May 2002	31 May 2003
Turnover including VAT	15,682.7	17,242.0	21,391.3	24,705.5	27,025.2
Change from previous year, %	30	10	24	15	9
Sales outside Sweden, %	84	85	88	89	90
Operating profit	1,955.2	1,683.3	2,003.8	3,159.4	4,028.1
Operating margin, %	14.8	11.5	11.0	15.0	17.5
Depreciation for the period	234.1	302.6	438.4	531.9	570.1
Profit after estimated full tax	1,331.7	1,178.3	1,385.5	2,157.0	2,766.2
Number of shares (adjusted for split)	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	1.61	1.42	1.67	2.61	3.34
Profit per share, SEK *	3.31	3.53	3.34	5.36	7.61
Return on shareholders' equity, % *	35.6	31.0	24.3	31.2	38.8
Return on capital employed, % *	53.3	47.3	37.7	48.1	58.6
Debt/equity ratio, %	1.7	1.5	1.6	1.2	0.0
Share of risk-bearing capital, %	77.8	77.1	82.1	79.7	82.3
Solidity, %	73.3	73.2	78.1	76.1	78.5
Interest cover *	318.7	300.5	203.9	420.4	903.5
Number of shops	576	633	730	801	893

* Revolving, 12 months

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 December 2002 - 31 May 2003 (SEK M)

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 31 May 2003	Change since 1 Dec. 2002
	Incl VAT	Incl VAT	%	%		
Sweden	2,723	2,766	-2	-2	121	+1
Norway	1,934	1,884	3	2	68	+1
Denmark	1,225	1,164	5	6	51	+1
United Kingdom	2,350	2,053	14	26	75	+7
Switzerland	1,731	1,714	1	3	44	
Germany	7,983	7,521	6	7	228	+8
Netherlands	1,743	1,637	6	7	60	+1
Belgium	985	847	16	17	40	+1
Austria	1,970	1,765	12	12	47	+1
Luxembourg	131	92	42	43	6	
Finland	612	593	3	4	21	+1
France	1,816	1,268	43	44	49	+7
USA	1,227	1,096	12	38	56	+11
Spain	528	306	73	74	22	+4
Poland	12				1	+1
Czech Republic	21				2	+2
Portugal	34				2	+2
Total	27,025	24,706	9	12	893	+49

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 March 2003 - 31 May 2003 (SEK M)

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 31 May 2003	Change since 1 March 2003
	Incl VAT	Incl VAT	%	%		
Sweden	1,407	1,494	-6	-6	121	+1
Norway	925	949	-3	0	68	+1
Denmark	638	600	6	6	51	+1
United Kingdom	1,250	1,176	6	19	75	+6
Switzerland	932	929	0	2	44	
Germany	4,272	4,132	3	3	228	+7
Netherlands	983	949	4	4	60	+1
Belgium	514	446	15	15	40	+1
Austria	1,072	965	11	11	47	+1
Luxembourg	70	51	37	38	6	
Finland	313	313	0	-1	21	+1
France	957	684	40	40	49	+6
USA	699	609	15	42	56	+9
Spain	291	163	79	79	22	+4
Poland	12				1	+1
Czech Republic	21				2	+2
Portugal	34				2	+2
Total	14,390	13,460	7	10	893	+44